C 2710-2
©Entire contents copyright 1990 by Crain Communications Inc. All rights reserved

#880E**********5-DIGIT 20814
AHZ
#040526692 5#01PI01926 99
STATISTICAL REFERENCE INDEX
4520 EAST-WEST HWY SU 800
BETHESDA MD 20814

September 17, 1990

Pensions & Investments

The Newspaper of Corporate and Institutional Investing

$8 An Issue / $127 A Year

AT DEADLINE

IRS might stop 401(k) test

New guidance from the Internal Revenue Service last week might stop employers from using a new non-discrimination test for 401(k) plans.

In a revision to earlier proposals, the IRS said it was considering banning a testing practice, known as restructuring, at the end of the year.

Appointment spurs dispute

Some state employees are objecting to appointment of Charles Travis as the new executive director of the Employees' Retirement System of Texas.

The employees contend more qualified candidates were passed over in the search to replace Clayton Garrison, who retired.

The employees also said the Texas Parks and Wildlife Department had been the focus of media inquiries for its stocking of game animals on private property owned by state public officials while Mr. Travis was executive director.

Vote on Betts bill expected

The Senate this week is expected to vote on anti-age discrimination legislation.

New rules in a substitute amendment to the so-called Betts bill, however, still do not address employer concerns on whether the legislation could interfere with early retirement incentive plans.

Company picks treasurer

John E. Droubay has been named vice president and treasurer at El Paso Electric Co. Mr. Droubay is replacing Gary Hedrick, who was appointed to the position of vice president of financial planning and rate administration.

Mr. Droubay is the former treasurer of Utah Power and Light.

Fund hires Dominion Trust

Valley Proteins Inc. has hired Dominion Trust Co. to manage its approximately $4 million in pension fund assets as a balanced account with an orientation toward equities.

Dominion Trust replaces Farmers and Merchants Bank.

Aetna new adviser to Daiwa

Aetna Financial Services has been hired as investment adviser to four retail yen-based, U.S. mortgage-backed securities funds offered by Daiwa Investment Trust, Tokyo.

Hoare Govett split planned

The Hoare Govett Cos. will be split into two corporate groups under a proposed buy-out agreed upon in principal by the management of Security Pacific Corp. and Security Pacific Hoare Govett Group Ltd.

Under the transaction, a wide number of employees in each firm will be invited to purchase 51% of the equity of their respective firms.

Bank contracts face FDIC cuts

By Joel Chernoff

WASHINGTON — Federal guarantees for pension fund investments in bank products — including bank investment contracts — would be curtailed under a House proposal revamping the deposit insurance program.

Given the souring economy and weakened state of the banking industry, the overall issue of deposit insurance reform promises to be a hot topic in the next Congress. How legislators deal with the narrower issue of coverage of pension fund investments, however, might take a variety of forms, including elimination of coverage beyond $100,000 per plan or assessing an additional premium for increased coverage.

Meanwhile, House Banking Committee Chairman Henry B. Gonzalez, D-Texas, argued pension funds are not entitled to receive federal insurance of $100,000 per plan participant.

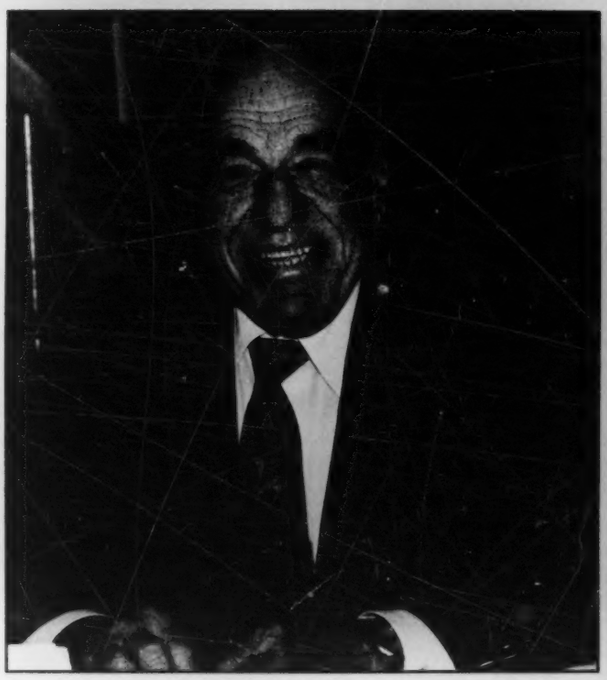
"These are funds placed by professionals, who ought to be able to evaluate risks for themselves and certainly shouldn't be rewarded for placing huge sums in weak institutions," Mr. Gonzalez said in a statement read on the House floor.

Testifying before the House banking panel Sept. 13, Federal Reserve Board Chairman Alan Greenspan said Congress could study "the desirability of limiting pass-through deposit insurance."

Under Federal Deposit Insurance Corp. rules, federal deposit insurance, normally limited to $100,000 per account, is "passed through" to a retirement plan's participants. Thus, a pension plan can obtain millions of dollars of deposit insurance for each bank investment.

Mr. Gonzalez plans to introduce legislation overhauling the entire deposit insurance program before Congress takes its October recess. He also would toughen capital standards, force regulators to take quicker action, make bank holding companies responsible for losses and limit deposit insurance

See **FDIC coverage** *on page 51*



Texas Democrat Henry B. Gonzalez, chairman of the House Banking Committee, is against federal insurance protection for pension assets deposited in banks.

Fluor, which helped upgrade this U.K. refinery, is commingling its defined benefit and defined contribution assets into unitized pools.

Fluor restructures

Assets of 16 plans commingled

By Joel Chernoff

IRVINE, Calif. — In a novel arrangement, Fluor Corp. has set up a mutual fund-type structure for its $1 billion in defined benefit and defined contribution plan assets.

The process, started three years ago with the creation of a master trust, enables Fluor to commingle its retirement plan assets and then invest them in unitized asset pools. The result is Fluor was able to reduce its roster of money managers and trim administrative expenses while optimizing each of its retirement plans' asset allocations.

Seeds for the new approach were sown last spring, when Fluor investment officials embarked upon "a massive equity analysis" to see if there was "any way we would save a little on fees while getting the right tilt" for the fund, said Eileen Delasandro, assistant treasurer and director-investments for the engineering and-construction services firm.

The process has reduced the number of stock managers to eight — including a new internally managed portfolio — from

See **Mutual funds** *on page 55*

Dutch funds conquering fear of equities

By Margaret Price and Curtis Vosti

Partly in a quest for higher returns, Dutch pension funds are shedding some of their old concerns and are gravitating more toward equities.

While Dutch funds are still heavily wedded to fixed-income investments, a new survey by Bank Mees & Hope N.V. in Amsterdam shows pension funds in the Netherlands, on average, ideally would like to invest 20.3% of their assets in equities, up from an average 8.35% at year-end 1988.

That, in turn, means greater foreign investments because the Dutch stock market is relatively small. The Bank Mees & Hope survey found funds ideally would want about half of their equity investments to be in non-Dutch stocks.

"It's a more professional industry than before," said Philip Lambert, chairman of the Netherlands Association of Company Pension Funds, which consists of about 350 companies with about $60 billion in assets. Mr. Lambert said organizations like his have helped Dutch pension funds understand U.S. and U.K. asset allocations and their greater use of equities. "Research has gradually been coming over the Channel to the Continent," he said, which has changed the attitudes of the Dutch funds toward risk.

This is good news for international money managers, some of whom are stepping up their marketing efforts to Dutch funds. According to Alan McFarlane, director in charge of European institutional business at Ivory & Sime PLC, Edinburgh, Scotland, the Dutch pension market is the most attractive in Europe now because of "clear signals from that market that there is a desire for increased international exposure that won't be direct investments but that will arise from the use of money managers."

Among the larger funds ex-

See **Dutch funds** *on page 52*

NEWS DIGEST

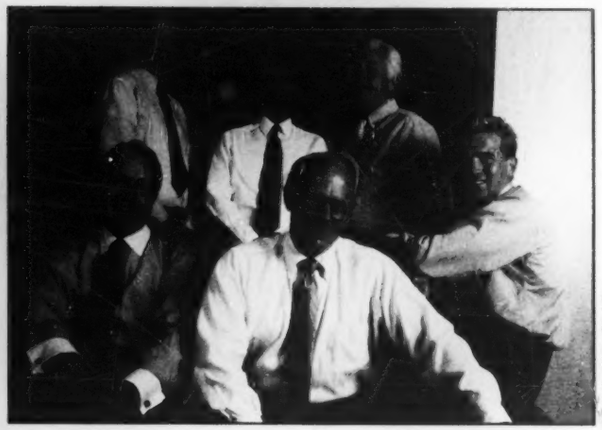


Photo by Mary Herlehy

SPECIAL REPORT: REAL ESTATE

Participants in *Pensions & Investments'* real estate roundtable analyzed institutional investing issues — from pension funds' cash flow needs to European realty. Page 23.

FINANCING

Commercial banks are dominating market niches, and starting to rival their investment banking counterparts as private placement powerhouses. Page 3.

Profits from European M&A activity won't be enough to save U.S. investment banks, Moody's predicts. Page 30.

Comdisco's multicurrency credit facility might be the only one of its kind, but not for long, according to some experts. Page 46.

INTERNATIONAL

Dutch pension funds' reluctance to move from fixed-income investments in favor of higher equity exposures is becoming a thing of the past. Page 1.

Puerto Rico Electric Power Authority won't cooperate with the country's commission overseeing other public pension funds. Page 44.

Two Chicago exchanges plan launches of derivative contracts based on Japanese securities, but liquidity is key for success among institutions. Page 55.

REAL ESTATE

First National Bank of Chicago has filed suit in federal court seeking permission to pursue a restructuring of its Fund F. Page 4.

J.P. Morgan has secured $416 million in financing from Sumitomo Life Insurance Co. for a sale-leaseback of a London office complex. Page 25.

DEPARTMENTS

Classified	52	Opinion	14
Commentary	16	Pension Surplus Index	13
Datebook	43	People	50
Employee benefits	32	P&I Age indexes	8
Frontlines	8	Portfolio management	41
Letters	16	Software	38
Money movers	49	Valuation index	10

Vol. 18, No. 20 — Pensions & Investments (ISSN 0273-5466) is published biweekly with a special edition in May by Crain Communications, Inc., 740 Rush St., Chicago, Ill. 60611-2590. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investments, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Consultants survey is under way

Pensions & Investments' questionnaire for the annual directory of investment management consultants is in the mail. To be included in the Nov. 12 directory, questionnaires must be returned by Oct. 14. If your firm has not received a questionnaire, or if you have any questions about the survey, please contact Christine Philip, directory coordinator, at (312) 649-5217.

State tackling liabilities

West Virginia OKs defined contribution plan, equities

By Curtis Vosti

CHARLESTON, W. Va. — The West Virginia Legislature has voted to create a defined contribution plan for the struggling Teachers' Retirement System and to allow state pension funds to invest in equities for the first time.

The measures were passed Aug. 31 in a special session called to deal with educational issues. The $200 million Teachers' Retirement System, with $3 billion in unfunded liabilities, was the main issue.

But as the session developed, a slew of measures passed covering the state's four pension funds: the teachers system, which will be 50 years old in 1991; the $1.2 billion Public Employees' Retirement System; the $11 million Judicial Employees' Retirement System; and the $40 million Public Safety Employees' Retirement System.

Beginning July 1, 1991, new teachers will be covered by a defined contribution plan. It will be funded through an employee contribution of 4.5% of payroll, with the state kicking in 7.5% of payroll, with another 7.5% contributed to the defined benefit plan.

The state also has earmarked an additional $80 million contribution to the defined benefit plan this year, and will look at continuing that extra contribution.

"The whole idea in the start of a new system is to cut off the bleeding in the old one," said Willard M. Ansel, teachers system administrator.

"The Legislature was concerned about the underfunding. They didn't want to see it grow," said Assistant Treasurer Jerry Simpson. "The state is trying to address the problems of the retirement systems now rather than pass the buck to a future Legislature or governor."

Legislators voted to allow equity investments by all four systems after seeing a study that showed no unfunded liability if the teachers' system had been allowed to invest 40% of its portfolios in equities in the past 30 years. The legislation sets a 20% cap on equity investments.

Other changes include the establishment by Jan. 1 of one oversight board for all four systems and a centralized accounting system. Now, each retirement system has its own board, which will be terminated six months after the overall board is established.

The investments for each of the systems will continue to be handled by the State Board of Investment.

The legislation also ended a technical distinction in the public employees' system that was written into the 1961 law creating the system. At the start, the system had separate accounting for the state employees and the municipal employees covered by the system. But the state employees' system is about $100 million underfunded, while the municipal employees' portion has a $140 million surplus.

The new legislation ends that separation, making the public employees' system fully funded and allowing state and municipal governments to lower their funding to 3.5% of payroll from 6%.

The legislation also makes permanent an ad-hoc legislative oversight committee that will have jurisdiction over all pension-related issues and legislation.

The committee also is charged with coming up with a plan to deal with the unfunded liability, of which equity investing is looked upon as part of the solution. The treasurer's office had sought last year to allow equity investments, and requested a 35%

See **State** *on page 53*

McDonnell Douglas eyes more annuities

By Barry B. Burr

ST. LOUIS — McDonnell Douglas Corp.'s purchase of a group annuity for salaried retirees will produce a $234 million after-tax gain in the third quarter, but no cash windfall. The company is considering purchasing group annuities for other participants in its pension plan.

The earnings gain was an outcome but not the reason the company purchased the annuity, said Richard M. Smoski, director-pension and savings administration.

McDonnell Douglas transferred its pension obligations for 14,200 salaried retirees by purchasing the annuity from Metropolitan Life Insurance Co., New York. Company executives declined to disclose the cost or other terms of the annuity. The annuity likely is one of the largest purchased by a company in recent years.

As a result of the transaction, the company will record a $6.11 per share after-tax gain in the third quarter. According to Zacks Investment Research, Chicago, the consensus earnings forecast by securities analysts for McDonnell Douglas before its pension accounting gain had been 60 cents a share for the third quarter. A year ago, it earned 98 cents a share.

"We thought we'd do it because it would strengthen the security for retirees" by taking the volatility out of the investments backing these benefits and by guaranteeing all benefits, through an insurance contract, above the level allowed under the protection of the Pension Benefit Guaranty Corp., Mr. Smoski said.

"MDC has looked from time to time at purchasing an annuity," he said. "The time was right, the investment was right." Favoring interest rates "kind of related a little bit to that" decision.

He said the corporation's companywide cost-cutting drive had no bearing on the move. He expects no cutbacks in pension department personnel. McDonnell Douglas, in fact, will continue to administer the benefits for those retirees, as it now does for all participants, including the issuing of checks and handling inquiries.

The Metropolitan annuity takes effect Oct. 1, when the insurer transfers its first payment to McDonnell Douglas' bank accounts, funding the checks the company will issue to retirees. For the retirees there will be no noticeable change, Mr. Smoski added.

He said the company is studying the possibility of buying group annuities for other participants, such as non-salaried retirees. The company has about 31,000 others receiving benefits and 160,000 employees and retirees altogether. The salaried retirees were done first because the company had done more analysis for the group already, he said.

Alexander & Alexander Services Inc., New York, assisted McDonnell Douglas in preparing and analyzing annuity bids sent out to insurance companies, he added. He declined to say how many carriers were solicited.

Mr. Smoski said the annuity purchase was the decision of the pension department, his office and the investment review committee. He declined to discuss other aspects of the company's pension investments or its effect on pension expenses.

"It doesn't look like that big of a deal," Kent Newcomb, securities analyst at A.G. Edwards &

See **Annuities** *on page 53*

Treasurer chastises city fund

By Trudy Ring

CHICAGO — City Treasurer Miriam Santos has blasted the Chicago teachers' pension fund for losing money and moving too slowly on diversification — charges the pension board president said are not justified.

The $3.6 billion Public School Teachers' Pension and Retirement Fund of Chicago lost about $136 million from June 30 through Sept. 6, which Ms. Santos, custodian of the fund, said would not have happened if the fund were properly diversified.

Judy Cheris, president of the pension fund's board, responded that the loss was due to equity market gyrations. "Any fund that is invested in equities took the same hit," she said. Actually, the fund probably took less of a hit than some others because it is only about 30% invested in equities, Ms. Cheris added.

The Standard & Poor's 500 Stock Index lost 10.5% in the same period.

Ms. Cheris added, however, she realizes a higher equity allocation will produce better-long term returns, and that the fund shouldn't try to time the market.

The fund has been in a process of diversifying its

See **Teachers** *on page 51*

Bethlehem halves plan underfunding

By Trudy Ring

BETHLEHEM, Pa. — Bethlehem Steel Corp. has cut its unfunded pension liability by more than half in the past three years and could eliminate the deficit by 1993.

The unfunded portion of Bethlehem's accumulated benefit obligation stood at $759 million June 30, down from $1.75 billion at the beginning of 1987, said Gary Millenbruch, senior vice president and chief financial officer. He stressed, however, continued profitability is key to wiping out the underfunding by 1993.

Bethlehem took a big chunk out of the deficit in 1988 by giving the pension fund $170 million in proceeds from a stock offering (*Pensions & Investments*, Aug. 8, 1988). It contributed a total of $700 million to the fund that year. Contributions totaled $360 million in 1989 and $160 million in the first half of 1990.

"Our current thinking, subject to profitability, is that we will contribute through the balance of the year at roughly $20 million a month," Mr. Millenbruch said. The steelmaker has had 15 consecutive profitable quarters, and product demand and other business conditions are such that profitability is likely to continue, he said.

With the exception of the stock offering proceeds, all contributions have come from internally generated cash flow.

Getting the deficit paid down, and eventually paid off, will help the entire capital structure of the company, he said. One aspect of this is further improvement in Bethlehem's credit rating, now just a notch below investment grade, Mr. Millenbruch said. The rating has moved up several notches in the past few years.

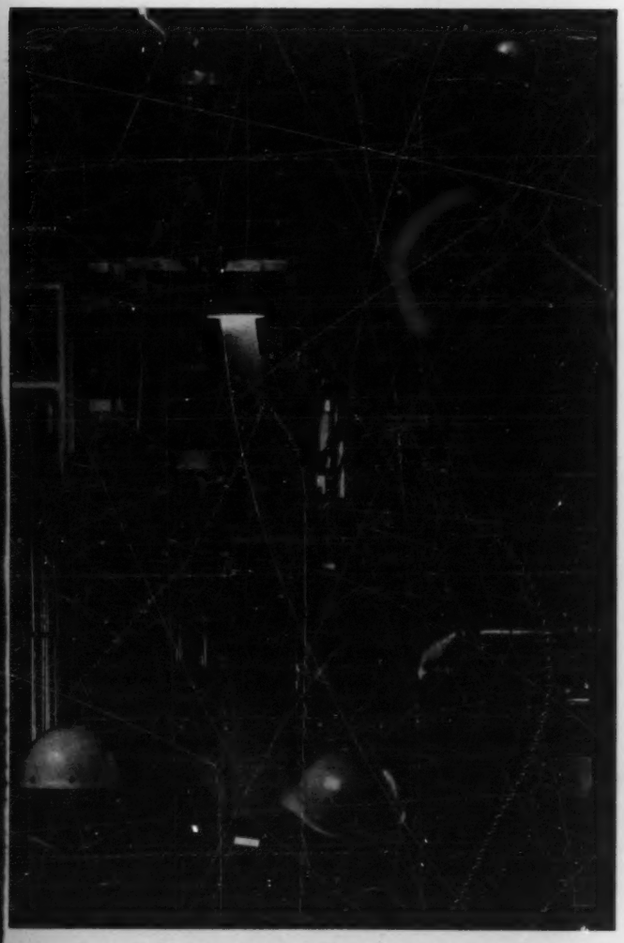
Better pension funding also will bring about reduced pension expense and enhanced competitiveness, he added.

Institutional investors seem to be taking note of Bethlehem's improving financial condition. According to CDA Investment Technologies Inc., Rockville, Md., institutional ownership of the company's outstanding shares rose to 70% as of June 30, up from 57.2% on June 30, 1985.

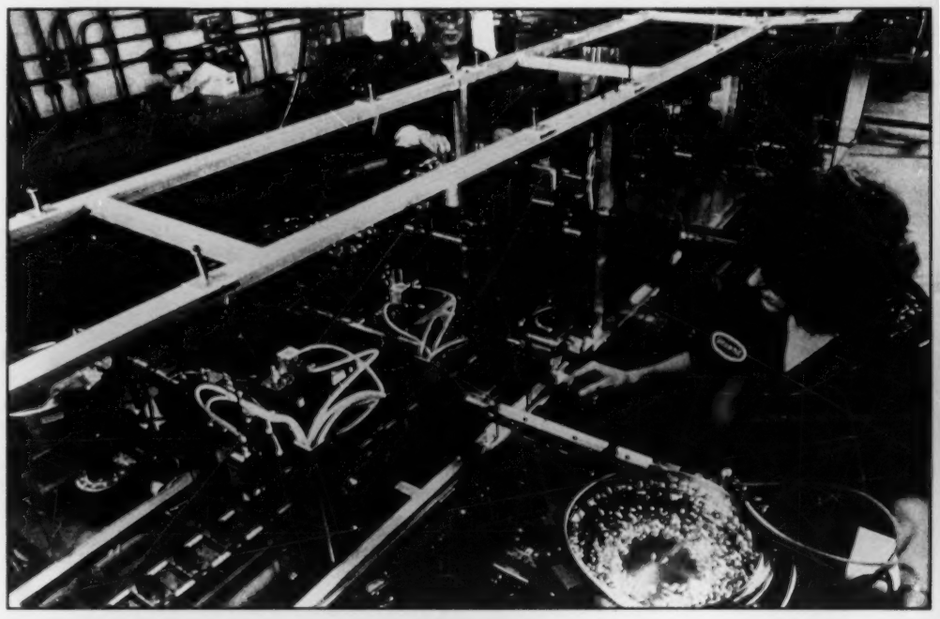
Research analysts also are pleased with Bethlehem's effort to reduce the pension deficit. A recent report by Prudential-Bache Securities Inc. calls Bethlehem's financial position "very strong" and notes the expected elimination of the pension shortfall.

Not all is rosy; Bethlehem has had a recent reduction in profits, largely because of the cost of a major revamping of its plant in Sparrows Point, Md., according to Prudential-Bache. Second-quarter earnings were 21 cents per share, on a fully diluted basis, compared with 98 cents per share a year earlier, and analysts expect two or three more quarters of poor earnings comparisons. Bethlehem's common stock closed at 11⅞ Sept. 10, after having been

See **Liability** *on page 54*



Officials of Bethlehem Steel believe they can eliminate the $759 million pension fund deficit in three years.



Inspiring ADC Telecommunication's employees is a goal of the company's matching contribution.

Redesigning stock plans

Companies tie benefits to corporate performance goals

By Hillary Durgin

In a twist on defined contribution plan design, a small but growing number of employers are using company stock to match employee contributions, and tying part of their match to company performance.

For the employer, the design might be a way to bolster long-term stock value and control benefits costs. For the employee, the stock match means an ownership stake and hopefully an incentive to improve company performance.

ADC Telecommunications Inc., Bloomington, Minn., is among the latest companies to use this approach.

"It's becoming more of a trend because we're becoming much more performance oriented in plan design," said Richard Koski, benefits consultant with Buck Consultants Inc., Secaucus, N.J., "It's incentive for employees; it's cost control for the employers," added Mr. Koski, who has no connection with the ADC plan.

The new twist incorporates aspects of employee stock ownership plans, which have become a popular vehicle for contributing stock to 401(k) plans. Unlike these plans, also known as KSOPs, which often are leveraged and obligate the employer to make a fixed contribution all in company stock, this new model combines a guaranteed cash match with a performance-based stock match.

"There are clearly more companies that are looking at having part of their match based on performance," said Joseph Hessenthaler, principal with TPF&C, Philadelphia.

Several consultants interviewed reported a growing number of companies taking this tack, but declined to identify them.

Employers establishing these plans view tying incentive to retirement benefits as a way to improve short-term performance and hopefully increase the company's value in the long term.

ADC, which implemented its plan in January, has used the new design to give employees a stake in quality and production improvements that were instituted companywide. It is a combination of a 401(k) and a non-leveraged ESOP.

For ADC, which markets its

See **Performance** *on page 53*

Banks gain in private placement

By Marlene Givant Star

Commercial banks are emerging as private placement titans, having placed one-third of the volume of deals in the first half of 1990.

Even as the market contracted sharply during the six months, J.P. Morgan & Co. ranked with two investment banks — Goldman, Sachs & Co. and Salomon Brothers Inc. — among the top three private placement agents overall with $5.2 billion of deals.

Other commercial banks did not come close to Morgan in terms of total volume, but did stand out as significant players in small but diverse market segments.

Chase Manhattan Bank led in acquisition-related financings and Citicorp garnered first place in non-investment-grade private placements. Morgan captured second place in securitized placements and plain-vanilla debt.

"Virtually off the map in 1980, nine of the top 20 placement agents in 1990 — holding 33% of the market — are commercial banks," said a report from IDD Information Services Inc., New York.

That compares with a share of only 19% in 1987.

While investment banks — led by Goldman, Sachs — still head the league tables in straight debt and equity placements, commercial banks are carving a niche in other sectors. Four of the top six agents on securitized private placements were commercial banks, as were nine of the 15 agents representing foreign issuers placing U.S. securities. The latter category represents a healthy 15% of the private placement market.

All three of the top ranked commercial banks said they are focusing heavily on international private placements. Half of J.P. Morgan's private placements business is outside the United States; Citicorp is in the process of staffing up on the origination side in private placements in Western Europe; and Chase recently sent an executive to its London headquarters to spearhead its European private placement effort.

Chase and Citibank officials both said their banks are emphasizing energy deals and focusing on other specialty industries. But Chase is focusing on middle market transactions while Citibank's niche is deals of $50 million or more.

In spite of all of the talk about the private placement market's explosive potential, it didn't fare well in the first half of 1990.

Domestic private placement financings dropped for the first time in more than 10 years, according to IDD. After a decade of steady growth, the private market has been hit even harder than the public new issue market during the Iraq uncertainty.

In 1980, private placements accounted for 22% of the $73.3 billion U.S. domestic securities market. Their market share grew to 38% of the $479.5 billion total market in 1989. The first half of 1990 finds private placements with only a 26% share, according to IDD.

Overall private placement volume plummeted 32.5% during the first half of 1990, to $56.8 billion from $84.1 billion during the

See **Placement** *on page 54*

Denver Investment Advisors, Inc.

633 Seventeenth Street; Suite 1800
Post Office Box 17487
Denver, Colorado 80217

Dennis E. Larkin
Vice President
(303) 293-5588

Equity ■ Balanced ■ Fixed Portfolios

Bank fights back

Suit seeks Fund F restructurin

By Terry Williams

CHICAGO — In an unusual move, First National Bank of Chicago is seeking court permission to restructure its $550 million Fund F over the objections of six pension fund sponsors.

Meanwhile, in August, the $4.3 billion Illinois Municipal Retirement Fund became the second pension fund to file suit over its inability to get back its investment in the open-end real estate commingled fund. The $2.2 billion BP America Inc. pension fund, Cleveland, sued FNB Chicago May for the company's $17 m lion investment (*Pensions & vestments*, July 9).

Seven pension fund spons and two investment advisers now snared in the web of liti tion that surrounds Fund F.

The suits arise from the quests of 15 of the fund's 45 p ticipants to withdraw a tota $135 million, or 25% of Fund the bank's suspension of wi drawal processing; and its p posed restructuring of the fu The restructuring would offset likely impact on the fund of s ing properties in a down real tate market to meet the wi drawals.

Many of the withdrawal quests were spurred by the fu poor performance in recent yea

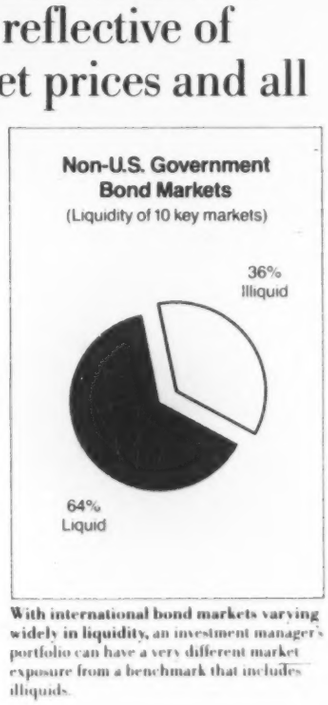
The FNB Chicago suit, filed

See **Restructuring** *on pag*

Finally, a global bond index based on government bonds that actually trade.

By tracking only actively traded bonds, the J.P. Morgan Government Bond Index is the fairest way to measure an investment manager's fixed-income performance. The Index includes only liquid issues in each of 11 markets, providing a daily benchmark for your portfolio performance that is based on reliable prices and is more reflective of actual market risks. With daily market prices and all settlement and interest calculations performed according to individual market conventions, the Index is becoming the preferred benchmark for investor performance in the global bond markets.

For more information on the J.P. Morgan Government Bond Index, call your consultant, or Sharon O'Connor, J.P. Morgan Securities Inc., (212) 648-0870.



With international bond markets varying widely in liquidity, an investment manager's portfolio can have a very different market exposure from a benchmark that includes illiquids.

JPMorgan

© 1990 J.P. Morgan & Co. Incorporated
J.P. Morgan Securities Inc. is a member of S.I.P.C.

CORRECTIONS & CLARIFICATIONS

• An Aug. 20 story contai some misinformation about Special Growth Stock Account of **Equitable Capital Mana ment Corp.**, which finished s ond in the quarter among the s cial equity funds in the PIP universe. The article should h read:

According to Barry Feirst portfolio manager, the $45 mil account normally holds 50 issu He looks for companies under ing fundamental change that accelerate earnings growth. " try to get into the stock before change is recognized by the m ket," he said citing Shorew Packaging Corp. as an exam The fund has big weightings biotechnology firms, cellulars companies that control hea care costs. Pall Corp., since s is one stock that contributed the second-quarter performanc

• In the Aug. 20 PIPER rep the **FTA World Index** and **F EuroPac Index** were incorre reported to *Pensions & Inve ments*. The correct returns for FTA World Index were 7.38% the second quarter, 7.1% for year, 6.6% for three years 22.28% for five years. The F EuroPac Index returns w 8.51% for the second quar 2.98% for one year, 5.72% three years and 29.03% for years. Three- and five-year turns are annualized.

• As of Jan. 1, 1990, **Harl Capital Management** mana $921 million in tax-exempt ass compared with $1.122 billio year earlier — a 17.9% dr rather than the 39% drop repor in the Sept. 3 issue. Harbor Ca tal originally had given *Pensi & Investments* a year-earlier ure of $1.497 billion, which presented total, not solely tax- empt, assets under managemen

Also, **Securities Coun Inc.**'s tax-exempt assets un management did not fall to degree reported in that st story. The firm manages $1 billion in tax-exempt ass down only 5.4% from last ye $1.195 billion.

• The Multiple Markets In in the Sept. 3 **Statistica Speaking** contained an incor date. All data were as of June 3

Performance is useless in selecting managers

By Edgar W. Barksdale and William L. Green

Illustration by Richard Stergulz

Historical performance ranking, the primary consideration in most investment manager selection decisions, is a useless, random statistic. In an analysis we've completed using a data base covering 15 years, we asked if past performance was any guide to expected future performance. Our research clearly shows the absence of any predictive value in historical performance rankings of money managers.

Performance statistics, of course, are seductive, because the numbers appear to provide one of the few "concrete" or objective elements of the selection process. But choosing managers is not a numbers game.

Over the years, the industry has learned two dominant factors contribute to a sponsor's successful investment program:

- Suitable investment objectives and policy; and
- Successful selection of the investment managers to implement the policy.

Sponsors have developed broad investment policy guidelines with which they are comfortable. The continuing struggle, however, is in the area of implementation, namely, in the successful evaluation of investment managers. Selections, to a worrisome extent, have resulted in disappointing performance and costly turnover of investment managers.

Countless hours of research and amounts of money have been spent by institutional investors seeking to enhance performance of their investment portfolios. As employee benefit fund assets increase in size, both in absolute terms and in terms relative to the net worth of the sponsoring organizations, the impact of even modest incremental returns easily justifies the use of considerable internal and external resources. All of these efforts notwithstanding, the ongoing turnover of investment management relationships, generally after a substantial period of poor performance, demonstrates the manager selection process is an inexact science and probably close to an art.

Looking back over the period since the enactment of the Employee Retirement Income Security Act of 1974, it's appropriate to examine what we can learn from the industry's practices in managerial selection.

In our analysis, we examined a series of rolling 10-year intervals spanning the period from the end of 1974 through 1989, using a data base of more than 144 equity portfolios, all entending over the full 15-year period, managed by 135 firms. The portfolios' total market value exceeded $22 billion at the end of 1989.

We asked the question of whether knowledge of a manager's ranking during the first half of a decade would be useful in selecting an *above average* manager for the second half of the decade. The accompanying table shows the results of this analysis. To illustrate one of the findings: Of the managers in the top 20% of the sample for the five years from 1980 through 1984, only 45% of them were in the top half during the 1985-'89 period.

Scanning the table, no useful predictive pattern emerges. In the best result of the six 10-year periods that were analyzed, only 55% of the managers in the first or second quintile during the initial five-year period were able to finish above average in the succeeding five years.

For eight of 12 observations of managers who performed best by finishing in the first or second quintiles during the six initial five-year periods, less than half were able to do better than average during the second half of the decade. Revealingly, the subsequent performance of the bottom two quintiles is barely distinguishable from — and certainly no worse than — that of the top two quintiles.

Many institutional investors, oddly, are quick to acknowledge that past performance is not predictive. Yet, after intense "analysis," they tend to be drawn to the managers with the best performance rankings in the past five years. Performance records are more helpful in understanding a manager's investment style, consistency and volatility characteristics than in evaluating ability to produce future superior investment returns.

Qualitative judgments, which we consider much more likely to produce successful long-term choices of managers than *quantitative* judgments, are much more difficult to make. They require far greater depth of knowledge of the manager candidates than is typically practical for, or practiced by, the committee making the selection. Because most committees simply do not spend enough time on the process to be comfortable in making qualitative choices, their decisions are driven by the historical performance numbers.

If the historical performance screen has no discriminating value, to what then should a plan sponsor turn?

We have identified several characteristics — unrelated to investment philosophy, asset class under management or even geographical focus of investing — that are helpful in identifying managers that tend to achieve superior, long-term results.

- Independent thinking. A portfolio manager must, largely through his own evaluation of available information, adopt non-consensus views and build non-consensus portfolios.
- Unencumbered decision-making. If the process to follow through with original ideas is difficult, then only easy and generally less-rewarding decisions will be made. Complex, time-consuming hierarchical information flows within management organizations or large formal committees make decisions more difficult.
- Personal discipline. Successful portfolio managers tend to be highly focused, intense and enthusiastic in their pursuits, whether professional or recreational.
- Flexibility. Portfolio management requires a great commitment to change. All investments must be reviewed continually, reflecting the newest and best available information. The successful manager must always be willing to reverse his earlier decision, regardless of whether it was good or bad, without the slightest hesitation.
- Love of the business. The most successful managers view investing as a personal passion. Although the job pays well, most would do it as an avocation.

The application of these judgmental characteristics requires more time than the typical committee of senior executives spends on the process. It becomes an ad hoc exercise in which a pension officer is forced to quantify and slot a group of managers. It leads to numerically driven selections and avoids difficult qualitative judgments.

A poor performance ranking might indicate more serious problems, but it is important to keep in mind that a poor ranking is a symptom, not the disease. Existing managers, whether performing well or poorly, should be re-evaluated using the same criteria as a new manager. An existing manager who wouldn't be hired today should be terminated.

More successful selections of managers will occur if committees devote the time necessary to fully evaluate managers under consideration, or fully delegate the selection to senior executive staff who have the experience to analyze candidates and who can be held accountable for performance.

Consultants can serve a useful role in rapidly moving their clients up the learning curve. All too often, however, they provide comfort that a sponsor has done a thorough job with relatively little effort.

Pension fund investment, although a good return is its bottom-line objective, is by no means a performance driven selection process.

Edgar W. Barksdale is a managing director of RCB International Inc. and president of RCB Trust Co., both based in Stamford, Conn. William L. Green, also a managing director of RCB International, is executive vice president of RCB Trust.

History is bunk

Percent of managers performing above median during second half of decade

Quintile ranking of manager during first half of decade	1980-1984	1981-1985	1982-1986	1983-1987	1984-1988	1985-1989
1st	31%	52%	48%	45%	48%	45%
2nd	45	55	52	41	41	52
3rd	37	50	57	61	61	43
4th	63	48	45	55	55	48
5th	57	45	48	48	45	57
Decade analyzed	1975-1984	1976-1985	1977-1986	1978-1987	1979-1988	1980-1989

Source: RCB International Inc.

LETTERS TO THE EDITOR

Social investing isn't odd

■ Your Aug. 6 article, "A Portfolio's Odd Criteria for Investing" contains inaccuracies that require correction. A casual reader might have gotten the impression that the Domini Social Index consists of small-cap stocks. In fact, 250 of the 400 DSI companies are in the Standard & Poor's 500 Stock Index. The average market capitalization of DSI companies is $10 832 billion.

The article asserts Lillian Vernon Corp. "on closer look, has only one woman, aside from its chief executive, in the ranks of its top executives." The company's current reports show four female officers.

The DSI contains no automakers because of their defense work. However, the omission does not, as you imply, reflect a bias against them. If Ford sells its defense unit, as it has announced, we will consider it.

Whether pharmaceutical firms should divest in South Africa is a question best answered by South Africans leading the anti-apartheid campaign. Neither Bishop Tutu nor Mr. Mandela has excepted drugmakers. We sought for the DSI 400 companies that do business honestly, produce quality work, emphasize safe, healthful products, are involved in their communities, offer equal opportunities to women and minorities and have outstanding employee relations. What's "odd" about these criteria?

Peter D. Kinder
President
Kinder, Lydenberg, Domini & Co.
Cambridge, Mass.

Editor's note. The column made no mention of the Domini's index's market value. Based on Mr. Kinder's figure, it's $4.7 trillion. That's more than twice the size of the S&P 500's roughly $2 trillion. This difference was noted to Mr. Kinder in a conversation to report the article. He said he was unable to explain it, and still hasn't. On automakers, the column clearly states the index excludes them because of their defense interests. On the number of women holding top jobs at Vernon, based on Mr. Kinder's research, the column was wrong.

Investment 'silliness'

■ I read your Aug. 6 column on the often silly and "odd criteria" adopted by some investment managers and some investors. You certainly do hit the proverbial nail on the head in your short editorial. I want to commend you on bringing this to the attention of a wide audience. Sometimes I'm amused myself with the "do-good" attitude adopted by some investment decision-makers such as now exist in a good number of areas of attention in our country.

Also, so-called "sanctions" are often equally inappropriate. That's another important subject at the moment due to the imposing of sanctions on Iraq by our president (and the United Nations). I hope you continue to point out to your wide readership the trivial basic concepts adopted on occasion by investment decision-makers.

Paul Garner
Dean emeritus
The University of Alabama
Tuscaloosa, Ala.

Custodial Trust Company

has been selected by

The Permanent University Fund of the State of Texas and **First City, Texas**

so that The Permanent University Fund (PUF) can participate in the Custodial Trust Company's (CTC) equities lending program.

PUF recognized the exceptional track record of CTC's innovative securities lending program and is now using the program to generate additional funding for higher education in the State of Texas.

If you are interested in increased returns from securities lending, call Michael Minikes at (212) 272-2089 or Sandra J. Kinet at (212) 272-2087, Directors of CTC.

Custodial Trust Company
FDIC Insured

A subsidiary of The Bear Stearns Companies Inc.

28 West State Street, Trenton, New Jersey 08608, (609) 599-5950

N.Y. 'pension bank' near

Fund assets to be earmarked for targeted investments

By Hillary Durgin

ALBANY, N.Y. — New York is edging toward creating a "pension investment bank" as a means to steer public and corporate pension funds toward economically targeted projects.

A new report by the state's Industrial Cooperation Council, a governmental advisory group, endorsed the pension investment bank, which was proposed last summer by Gov. Mario Cuomo's Task Force on Pension Fund Investment. The state's 1990 budget earmarked $200,000 to hire staff and consultants for the entity.

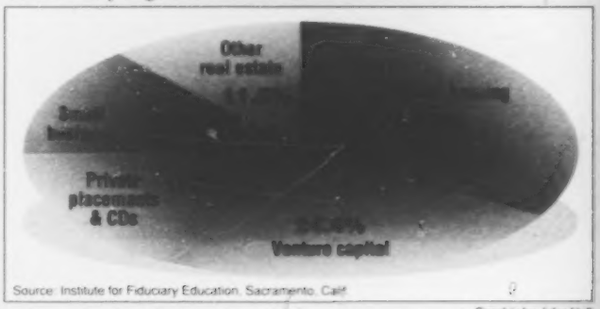
"Public and private pension funds in New York state are in a good position to play a leading role in this development," said the report. "The state needs to work in cooperation with the funds to develop creative, yet practical, methods and mechanisms to expand the use of targeted investments."

The new investment intermediary is expected to be operational within three months, complete with an independent board of directors, its first targeted investment and pension fund investors.

Lee Smith, executive director of the Industrial Cooperation Council and a co-author of the report, said the aim of the intermediary would be to increase "significantly" the amount invested in in-state investments, but there's no dollar target or formula as to percentage amounts. Mr. Smith did not know how much is currently invested.

Public pension funds' use of targeted investments

IFE surveyed 99 public pension funds, of which 41 reported using economically targeted investments.



Source: Institute for Fiduciary Education, Sacramento, Calif.

Graphic by John Hall

The state, through the new unit, would seek to address two principal barriers to economically targeted investments: the lack of staff and resources to research the investments, and the lack of opportunities to do coordinated investing that would spread the risk and the cost among investors.

The new investment unit would have several functions, including "identifying, screening and packaging new investment programs for participating investors and diversifying the geographic and credit risks associated with in-state investment products," according to the report.

Among the best investment possibilities are mortgages for housing and private placement loans to finance new plants and equipment for small and medium manufacturers, the proposal said. The intermediary also could explore investments in commercial real estate, venture capital and, ultimately, certain types of corporate financing, employee stock-ownership plans and education loans.

The idea of an investment intermediary originally was proposed by Comptroller Edward V. Regan to then-Gov. Hugh Carey in 1981. At about the same time, California had a pension investment unit that functioned within the governor's office to create jobs and finance housing in the state. The California unit was not renewed with the change of administrations in 1983.

While Mr. Regan supports the concept of an investment intermediary and agrees with the general thrust of the report, he said it overemphasized the benefits pension investments provide to state economies.

"The report tends to exaggerate the impact public pension fund investments can have on the state's economy — it uses economic development 'hype' that often accompanies grants, tax exemptions and other concessions," Mr. Regan said in a prepared statement. "Job creation results in these situations are often promised but, as our audits show, are rarely delivered."

Mr. Regan also said good investment performance by the pension fund helps reduce state contribution levels, freeing up assets to pay for taxpayer needs and keeping taxes down.

In an interview, Mr. Regan emphasized the investment unit should not try to initiate investments, but should target ventures already undertaken by the private sector.

"I think the notion of them calling it a bank . . . and trying to generate new business . . . is completely wrong," Mr. Regan said.

He said similar efforts in Eastern Europe failed. "This is industrial planning." He said, however, "that doesn't mean that the initial concept of nine years ago isn't overdue."

Mr. Smith said there always are initial concerns regarding anything new. What's more, he said, the lack of profitable, economically targeted investments so far has stemmed from a lack of resources to allocate toward researching them.

"Economically targeted investments are new products, and every new product has a research and development and start-up cost associated with it," Mr. Smith said. "Our role is to in effect, jump-start the product development process."

Another barrier has been the relative lack of profitability these types of investments produce for the institutions that structure them, said Mr. Smith.

To mitigate concerns raised by last year's task force report that pension funds were being asked to engage in social investing, the new study stresses returns on pension fund investments should not be concessionary and that participation in investments recommended by the pension investment bank would be voluntary.

The release of the final report had been held up for several months while the Legislature tried to erase a $2 billion budget deficit. The budget proposed by Gov. Cuomo drew criticism from Mr. Regan and union groups for drawing half of the assets needed to ease the deficit by slashing the state's pension contribution.

Among other things, an amended funding formula, called the projected unit credit method, virtually eliminates employer contributions to the $44.2 billion New York State & Local Retirement Systems in the next several years.

As a result of the change in the funding formula, some union groups that have supported targeted investment programs because of their tendency to bolster union employment are rethinking their stance.

$111,000,000

Brinson Partners, Inc.

announces the closing of the

Venture Partnership Acquisition Fund II, Limited Partnership

to purchase secondary interests in venture capital limited partnerships.

August 1990

Chicago • London • Tokyo

Evolution in the making

Defined contribution plans changing to fill new needs

By Fred Williams

Defined contribution plans have undergone significant growth and change during the past two years in response to proposed governmental regulations, evolution in participant demands and changing market conditions.

According to a soon-to-be-released study of large employers by The Wyatt Co., there are more defined contribution plans offering more investment options and more 401(k) features covering more employees than in a similar survey conducted in 1987. The new survey covers 740 employers in 1989 and 1990 with a total of 3.9 million employees.

"Overall the survey confirms there has been a lot of growth and change (in the defined contribution sector) and there will be a lot more change to come," said Tim Hankins, defined contribution consultant in Wyatt's Los Angeles office.

One big change since 1987 is the dramatic increase in the number of plans offering four or more investment options for both employee and employer contributions. The number of plans with four or more options for employee contributions increased to 43% from 24% in 1987. For employer contributions, the number jumped to 28% from 17%.

Mr. Hankins said the increase is due to the pending Department of Labor regulations pertaining to section 404(c) of the Internal Revenue Code that would reduce employer fiduciary responsibility for some defined contribution plans offering four specified investment choices.

The most popular investment options offered by defined contribution plans are guaranteed investment contracts, which displayed a monumental increase in use by plans offering from one to four or more options for employee contributions. GICs were offered by 75% of plans with one to three options, up from 40% in the 1987 study, and 73% of plans with four or more options, up from 60% in 1987.

Mr. Hankins said he does not understand the reasons for the increase. "I would have thought that GICs would have been just as popular in 1987 as they are now; I'm surprised it was so low in 1987," he said.

Cash flows for participant and directed funds show GICs are by far the most popular investment, gathering an average of 60% of asset investment dollars.

By contrast, money market funds attracted 23% of investment assets; balanced funds, 24%; diversified (equity) funds, 21%; and company stock, 36%.

GICs have been the acknowledged preference of defined contribution plans for some years but Mr. Hankins said he believes the GIC wave might soon begin to slow.

"Right now things are heavily weighted toward GICs," he said. "But as participants begin to get more sophisticated and knowledgeable in the investment field, I believe you will probably see some movement away from GICs."

For the first time the new study lists real estate among defined contribution choices, gathering 7% of assets in 1989.

"This is a new trend," said Mr. Hankins. "There seems to be more interest in aggressive equities and real estate. For real estate, my guess is that as you begin to offer more funds and options to participants, you start getting away from the standard equity, money market, GIC, balanced and growth funds and start getting into specialty funds.

"There has been a concept in the U.S. that real estate is a good investment over the long term and real estate has been a significant part of the insurance industry's portfolio for years. They may now be leveraging off that expertise by offering it as an option."

Overall, according to the Wyatt study, 88% of survey respondents sponsor capital accumulation (defined contribution) plans for their salaried employees and 72% have defined benefit pension plans; 49% of all the capital accumulation plans are thrift/savings plans with a 401(k) option; 23% are profit-sharing plans with a 401(k) option; and 10% are 401(k) arrangements that have no employer contributions other than employees' elective deferrals.

Eighty-four percent of employers with capital accumulation plans offer plans that contain a 401(k) arrangement, and 91% of all employers with capital accumulation plans contain provisions for tax deferral — either a 401(k) option, 403(b) tax deferred annuity or a section 457 salary deferral. ■

Capital accumulation plan options

Investment option	Average percent of plan assets invested	Percent of plans offering the option
Guaranteed investment contracts	60	73
Company stock	36	40
Other investments*	26	24
Balanced fund	24	30
Money market fund	23	45
Diversified fund	21	42
Aggressive equity fund	17	41
Bond fund	13	34
Real estate fund	7	3

*Often are indexed funds
Source: The Wyatt Co., Washington

The consultants directory will be published in the Nov. 12 issue.

We're bigger than you think.

More than a leading residential and commercial management company overseeing a $3 billion real estate portfolio, R&B Enterprises has grown to encompass asset management, investments, purchasing, renovation, cable television and telephone systems. We **are** bigger than you thought! **That's why we changed our name.**

R&B REALTY GROUP

R&B Realty Group 2222 Corinth Avenue Los Angeles, California 90064
(213) 478-1021 Outside California (800) 624-2890

Firm consolidates assets

Monarch Capital Corp. moves operations to subsidiary

By Marlene Givant Star

SAN FRANCISCO — Monarch Capital Corp. has folded its $1.3 billion investment operations into its Associated Capital Investors Inc. money management subsidiary, replacing Thomas B. Kelley as president and chief investment officer of Associated.

Monarch, Springfield, Mass., has transferred $1.3 billion in assets under management and the entire investment staff of its headquarters to San Francisco-based Associated, consolidating $4.3 billion in assets under one roof, of which about half is managed for tax-exempt clients.

George Siguler, the vice chairman and chief investment officer of Monarch, has been named president and chief investment officer for Associated, replacing Mr. Kelley who will leave at the end of the year. Mr. Kelley has not yet disclosed his plans.

Monarch, a variable life and disability income insurance company, has a controlling interest in Associated, which runs $3.2 billion. Associated's $200 million in high yield bond portfolios will continue to be managed out of the firm's Little Rock, Ark., office.

"High yield has had an extraordinary record. That will stay just where it is," said Mr. Siguler.

Mr. Siguler, a founding partner of the Harvard Management Co. and a manager of Harvard University's endowment from 1973 to 1983, was chief of staff for the U.S. Department of Health and Human Services for two years before joining Monarch. He engineered Monarch's acquisition of Associated from BankAmerica Corp. in 1988. Since the acquisition, he has had oversight responsibility for the firm.

Other portfolio managers joining Mr. Siguler in the move include Michael J. Romanowski, Douglas A. Barry, John E. Leslie III and Seth A. Reicher.

Mr. Siguler guided Monarch's investment strategy, including managing the company's high-performing bond portfolio, overseeing all private equity investing — an area he emphasized at Harvard — and targeting investments for the company's variable life and annuity products.

Monarch's private investments have posted a compound annualized gain exceeding 37% for the five years ended Dec. 31, 1989. Mr. Siguler plans to market Monarch's expertise in the area to institutional investors.

"We want to bring some investment opportunities in Monarch's general account to the institutional community," he said. Investments will include leveraged buy-outs, start-ups of financial service companies; high-technology deals; and recapitalizations.

After spending the summer at the San Francisco office of Associated, Mr. Siguler determined "people on the West Coast were doing some things better than us with more scale."

Mr. Siguler said the consolidation won't save much in the way of costs, but will place professionals in a better location. "San Francisco is more of a mainstream investment community than Springfield," he said.

Quantitative risk control and identification techniques developed in Springfield will fit in well with the investment strategies used in San Francisco, he added.

According to a statement from Monarch, Mr. Kelley is "considering several ventures but is not ready to discuss specific plans."

Clients took the change in stride.

Sue Lewandowski, a portfolio manager with the $4.2 billion plan of Chrysler Corp., Highland Park, Mich., which has a $70 million equity account with Associated, said: "We don't think (the changes) will affect our relationship with them at all."

Performance in the three years the firm has been with Chrysler has been "what we expected," she added. ■

SUBSCRIBER SERVICE FORM

I wish to:

- ☐ change my address (enclose label below)
- ☐ ask a question about my subscription (enclose label and question)
- ☐ subscribe or renew
- ☐ 1 year..... $127.00
- ☐ 2 years..... $207.00
- ☐ 3 years..... $287.00

(Air mail & foreign delivery extra. Please write or call for rates 1-800-992-9970)

Name

Title

Company name

Address

City State Zip

Phone

Mail to:
Pensions & Investments
Circulation Department
965 E. Jefferson Ave.
Detroit, MI 48207

Attach label here for address changes & inquiries.

Liability

Continued from page 3

as high as 22% in the past year.

In 1991, however, Pru-Bache analysts expect Bethlehem to see improvements. The Sparrows Point overhaul, while costly, is significant, the analysts said. This and improvements at other plants will give Bethlehem a solid, low-cost production line to meet demand in the early 1990s, they said. Sparrows Point represents 35% of Bethlehem's steel-making capability.

Bethlehem's $3.3 billion pension fund, largely internally managed, is run conservatively, with about two-thirds of the assets allocated to fixed income and one-third to equities. The company is pleased with this allocation and has no plans to change, Mr. Millenbruch said.

The fund hasn't made major changes in actuarial assumptions but made a slight one at the end of 1989, lowering the discount rate used to value liabilities to 9% from 9.5%. Liabilities weren't affected significantly, Mr. Millenbruch said.

As Bethlehem pared its workforce in the early and middle 1980s, early retirements made liabilities swell, but that has slowed, he said. Bethlehem has about 30,000 active employees and 69,000 retirees.

Placement

Continued from page 3

same period in 1989. IDD said neither the passage of Rule 144A nor the gap left in corporate financings by the virtual disappearance of the junk bond market could boost the sagging private placement market this year.

Investment banks were lead agents on the three largest deals of the first half: Gibralter Real Estate's $940.2 million in debt underwritten by Lehman Brothers, New York; Smithkline Beecham Americas' $800 million of Dutch auction preferred stock underwritten by Lehman and Goldman, Sachs; and Shearson Lehman Brothers Holdings' $750 million convertible preferred underwritten by its Lehman Brothers division.

Among the leading commercial bank agents of overall private deals, J.P. Morgan rose to third place with $5.2 billion in volume from fourth place in the year-earlier period. Citicorp maintained its sixth place rank with $3.5 billion and Chase Manhattan, the other commercial bank in the top 10, rose to 10th from 11th place with $2.1 billion.

In plain-vanilla debt, commercial banks swept the bottom half of the top 10 with Continental Bank; Citicorp; First National Bank of Chicago; and Bank of America, San Francisco, ranking seventh through 10th.

Thaddeus Beczak, managing director of J.P. Morgan, said the firm's volume of private placements nearly would have doubled to $10 billion if foreign deals were included in the IDD figures. "We view the business as a global business. We probably do as much business internationally as we do domestically, and that wasn't reflected in the figures," he said.

For J.P. Morgan, the biggest growth areas in private placements are highly structured complicated transactions and weak-investment-grade transactions and equity placements.

Among its structured transactions in the first half, J.P. Morgan was agent on several employee stock ownership plan debt refinancings using grantor trust structures. Clients included American Telephone & Telegraph Co. and Exxon Corp.

The firm also placed the $180 million Canaan Capital fund, believed to be the largest pool of venture capital money raised this year, and was agent on a number of Latin American deals, including $150 million in unsecured notes for Telefonos de Mexico, the Mexican telephone company, and a telephone receivables transaction for Embratel, the Brazilian telephone company.

Tim Conway, head of private placements for Citicorp Global Finance, New York, said the bank recently completed its first transaction under the Securities and Exchange Commission's Rule 144A for Nova Corp., an oil and gas company in Alberta, Canada. "Canada has been a very active market for us and it will continue to be," he said, adding the Nova deal played into the bank's cross-border capabilities.

"It stood out because it was broadly distributed and sold to traditional and non-traditional buyers of private placements," he said.

Citicorp also is emphasizing other natural resources industries and utility and service industry deals.

The bank's top ranking in non-investment-grade deals was due to several large transactions in the first half, including a $270 million senior notes offering for Uniroyal Chemical Co., Middlebury, Conn.

Joel Glasky, managing director and head of the private placement group at Chase, said more acquisitions are being financed in the private market because the public high-yield market has dried up and small to midsized companies continued to depend on the private market for longer-term financing. Chase is well positioned in both areas, he said.

The bank also benefits from client relationships in certain industries such as energy, financial services and media.

"We're experts in a lot of different industry specialties. That expertise can be brought to bear on a private placement more conveniently and with more effectiveness within a commercial bank (than an investment bank). The people who make the loans study energy and media industries. They know the companies and issues that impact them extremely well which is very helpful in private placements," said Mr. Glasky.

Among investment banks, Goldman, Sachs continues as the leading agent in private placements. Although Goldman's financings fell to $8.1 billion from $11.9 billion, the firm maintained its commanding 15% share of the market. Salomon Brothers was second.

Private placement underwriter rankings*
(Jan. 1 - June 30)

	1990		1989	
Manager	$ amount	Issues	$ amount	Issues
Goldman, Sachs	8,140.4	116	1,940.2	133
Salomon Brothers	5,609.8	76	4,219.2	41
J.P. Morgan	5,213.7	65	7,215.4	89
Lehman Brothers	4,754.5	79	4,503.6	54
Merrill Lynch Capital Markets	3,595.3	46	3,553.0	60
Citicorp	3,529.3	31	4,619.6	51
First Boston	2,854.0	33	7,682.6	86
Morgan Stanley	2,752.8	21	2,950.6	44
PaineWebber	2,408.6	51	2,409.6	46
Chase Manhattan	2,105.0	54	2,846.8	53
Bankers Trust	1,798.7	43	5,244.5	102
First Nat'l Bank of Chicago	1,705.6	67	1,218.9	52
Chemical Bank	1,630.8	47	1,930.5	63
Bank of America	1,201.0	32	2,492.0	56
Continental Bank	1,158.0	26	-	-
Dillon, Read	816.9	15	-	-
Dean Witter Capital Markets	652.6	33	327.0	23
Manufacturers Hanover	640.6	15	1,247.6	15
Smith Barney, Harris Upham	640.2	17	1,183.5	29
Kendall Capital Partners	546.0	3	-	-

Dollar amount in millions
* Proportional credit to each manager; excludes CDs and deposit notes
Source: IDD Information Services